CONFIDENTIALITY: INTERNAL

BHARTI AXA LIFE

2024 BOARD APPROVED PRODUCT MANAGEMENT & PRICING POLICY (BAPMPP)

Version: 5.0

Owner: Mayank Saurabh

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VERSION

Version No.	Author	Owner	Date	Details of change
1.0	Sagar Deshmukh – Pricing Head	Varun Gupta – Appointed Actuary	July 2022	First version
2.0	Sagar Deshmukh – Pricing Head	Varun Gupta – Appointed Actuary	October 2022	Modified basis IRDAI Circular no: IRDAI/ACTL/CIR/PRO/207/10/2022 dated 4th October 2022
3.0	Gouri Gupta– Product Head	Varun Gupta – Appointed Actuary	April 2023	Modified basis IRDAI Circular no: IRDAI/ACTL/CIR/PRO/81/3/2023 dated 31st March 2023

4.0	Gouri Gupta– Product Head	Varun Gupta – Appointed Actuary	July 2023	Modified basis IRDAI Circular no: IRDAI/ACTL/CIR/PRO/135/06/2023 dated 20th June 2023
5.0	Gouri Gupta– Product Head	Mayank Saurabh– Appointed Actuary	July 2024	Modified basis IRDAI Notification no: F. No. IRDAI/Reg/8/202/2024 dated 20th March 2024 and Master Circular on Life Insurance dated 12th June 2024

APPROVAL

Version No.	Approved by	Date	Next Review
1.0	Bharti AXA Life Insurance Board of Directors	8th July, 2022	July, 2023
2.0	Bharti AXA Life Insurance Board of Directors	14th November, 2022	November, 2023
3.0	Bharti AXA Life Insurance Board of Directors	8th May, 2023	May, 2024
4.0	Bharti AXA Life Insurance Board of Directors	2nd August, 2023	August, 2024
5.0	Bharti AXA Life Insurance Board of Directors	July, 2024	July, 2025

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Section 1: Introduction

As per the Product Regulation notification* every insurer shall have in place Board approved policies covering all areas of product design, underwriting, advertisements and overall management of the insurance products. As per the circular$ of Use and File procedure for Life Insurance products and riders each Insurer is required to create a Board Approved Product Management & Pricing Policy (BAPMPP).

The notification and circular* also specifies the governance of this policy by Product Management Committee (PMC) which shall approve products and riders as per BAPMPP.

BAPMPP aims at creating an Internal governance framework aimed at meeting the principles on product design and pricing of insurance products which enables the PMC to carry out thorough due diligence of the various risks involved in the product and also continuously document the same.

The ultimate objective is to ensure that the needs of all the Stakeholders affected by the new products are taken into account in a true and fair manner.

**Notification F. No. IRDAI/Reg/8/202/2024.dated 20th March 2024 and Master Circular on Life Insurance Products 2024 no: IRDAI/ACTL/MSTCIR/MISC/89/6/2024 dated 12th June 2024*
$ $ Use and File procedure for Life Insurance Products and Riders IRDAI/ACTL/CIR/MISC/115/06/2022 dated 10th June 2022

Section 2: BAPMPP Key Principles

2.1 BAPMPP aims to ensure that needs of all the stakeholders are taken into account while designing and approving a product. The key stakeholders are identified as:

- Shareholders
- Policyholders
- Regulator

2.2 Shareholders

- Shareholders would be concerned with the Profitability, Capital requirements and Riskiness of the new product.
- The Profitability & Capital needs of the product should meet the minimum requirements as defined in Section 4 of BAPMPP below.
- The Riskiness should be in line with Shareholder's Risk appetite as defined under 1-in-20 and 1-in-200 shocks in Section 4 of BAPMPP below.
- Apart from the Financial riskiness additional risks and parameters should be evaluated, such as (but not limited to) Product design, Underwriting

Process, capital availability, claim experience and Reinsurance arrangements.

2.3 Policyholders

- Policyholders would be concerned if the product purchased by them are appropriate and takes into account their individual circumstances.
- BAPMPP would ensure that Product Management has clearly identified and documented the target market to which the product would be distributed
- The policy will also ensure that the product is easy to understand and competitive and market conduct practices are appropriate.

2.4 BAPMPP would require all relevant members involved in the PMC to sign off and approve that product design is proper, pricing is appropriate, risks are acceptable and the proposed product is compliant with all regulatory requirements. Details of PMC responsibilities are included in the Terms of Reference of Product Management Committee (PMC).

2.5 IT Development costs are estimated and approved.

2.6 Independent opinion to be provided by Risk Management & Asset Liability Management team based on the key financials presented in the Pricing Development Report.

2.7 Modification of existing on sale product shall be carried out after a reasonable time period from the launch date of existing version. Modifications shall be based on credible experience or on strong market indicators (such as major Reinsurance disruption, Regulatory/ Tax changes, pricing triggers, etc.) justifying the modification. Such reasonable time period and justification of the same to be determined and approved by the Product Management Committee (PMC).

2.8 Periodical review of product performance, market conduct issues including grievances will be carried out and corrective actions, as may be necessary, will be taken up.

Section 3: Governance

BAPMPP in Bharti AXA Life Insurance is to be managed and monitored through the Product Management Committee and it is subject to regulatory guidelines.

The detailed role of the Pricing and Product function in governance with responsibilities and contents of Product Development Report have been included in the Annexure herewith.

Product Management Committee (PMC)

PMC shall report to Risk Management Committee (RMC) on a periodic basis.

Bharti AXA Life Board of Directors

Approve the BAPMPP and maintain oversight over PMC through RMC.

Section 4: Minimum Product Feasibility Requirements

Metrics	Minimum Criteria
Internal Rate of Return to Shareholders (IRR %)	>= 20.5%
Strain	<=100%
VNB% under 1 in 20 Year shock	> 0%
VNB% under 1 in 200 Year shock	> 0%
Implicit Guarantee Rate (IGR %)	< 10 Year G Sec Rate (average of last six months)

Notes:

1. *Reference rates for all metrics shall be as per Risk free rate (without Ultimate Forward Rate)*
2. *VNB% will be calculated using a market consistent approach. Parameter Shocks on VNB% shall be as per prevailing RAF Framework.*
3. *For propositions with Shareholder IRR between 16.4%-20.5%, CEO Sign-off would be required. Propositions with Shareholder IRR below 16.4% would require Board approval.*
4. *For propositions with Strain greater than 100% but not more than 175%, CEO Sign-off would be required. The Risk Management Committee would also need to be intimated in such cases.*
5. *VNB% <0% but not more than -25%, under 1-in-20 year shocks, would require a CEO approval. The Risk Management Committee would also need to be intimated in such cases.*
6. *VNB% <0% but not more than -75%, under 1-in-200 year shocks would require a CEO approval. The Risk Management Committee would also need to be intimated in such cases.*

Approval

The product report will be presented to the Product Management Committee (PMC) which will be responsible for reviewing and approving the proposition. The PMC may also suggest modifications or require additional analysis before providing a final approval. Sign-offs from PMC members once received will be appended to the final report. Any proposition which does not meet any criteria as specified in these guidelines would require Board approval.

Annexure A

Product & Pricing Function

The Product & Pricing Function consists of Pricing Head, Product Head as well as their representatives. The team shall be jointly responsible to create a Product Development Report (PDR/X2) for each of the new or modified products to be presented in PMC. The final results summarizing the details of each proposition, along with a confirmation of compliance with these guidelines will be documented in the PDR. The report will include among other aspects, the business reasons for development, expected volumes and financials of the proposition, any perceived risks and their proposed mitigations along with an actuarial conclusion.

This is the team responsible for:

- Review and update the BAPMPP at least annually
- Create and present Pricing Development Report to PMC
- Formulate and evaluate all financials in the Pricing Development Report
- Resolve queries as raised by the PMC
- Creation of product calendar
- Evaluation of product feasibility for continued sales or discontinuance for a product.

The Product & Pricing Function shall ensure that the product structure & pricing is consistent with generally accepted actuarial principles and provisions mentioned in the Section 4 of the IRDAI Insurance Product Regulations dated 20th March, 2024 & Section-III of the Master Circular on Life Insurance Products dated 12th June, 2024 covering/ensuring:

- Ensure all risks relevant to the products are appropriately covered in pricing
- That premium rates are fair and not excessive, inadequate, unfairly discriminatory and provide value for money;
- The product is financially viable and the financial metric shall comply with the Minimum product requirements in Section 4
- Basic principles of insurance like insurable interest, indemnity, utmost good faith, proximate cause, contribution clause, salvage and subrogation etc. are adhered to;
- Product covers an insurable risk with an underlying risk transfer

<u>Pricing basis & Assumptions</u>

- Pricing basis is in line with the company's own experience, to the extent applicable and shall be supported by actual experience, if any, over a period of 3 to 5 years under that product/rider and/or that product segment/rider segment, as relevant

- Assumptions for expenses shall comply with the limits prescribed by the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024
- Further, the best estimate (pricing) assumptions shall be consistent with the reserving assumptions to the extent applicable.

The Product & Pricing Function shall ensure that the Pricing Development Report (PDR/X2):

- Include all features and benefits of the product in simple and clear language
- Specify the Target market to which the product shall be sold and through which distribution channel
- Assess and document each of the key risks in the product which may exposes the shareholder or Policyholder
- Include all financials as required by Minimum product requirements in Section 4.
- Ensure that all assumptions taken while developing the financials for the PDR/X2 are latest and currently in use for Reporting to Regulator and Internal Management
- In case of a new class or type of product assumptions used are fair and used post Email Sign-off from Valuation Head Within Actuarial Function
- The Models used to generate the financial are vetted by Pricing Team on a regular basis by ensuring the Financials in the Product Development report are consistent with eventually reported numbers with only marginal differences.
- Data Inputs from Distribution teams in terms of Business mix and volumes are taken over Emails and documented as Annexures in the PDR
- Is independently reviewed by Risk Management Team and Asset-Liability Management (ALM) Team prior to PMC submission.

Annexure B

Sign-off metric specified below to be appended in each PDR

PMC Member	Sign Off	Name
Appointed Actuary	I find that the product is financially sound. Thus, I support the launch of the product, based on the proposed product design stated in this report.I confirm compliance with the Board Approved Product Management and Pricing Policy	
Chief Financial Officer	I have understood the profitability and capital requirements of the product and find that the product is financially sound. Thus, I support the launch of the product, based on the proposed product design stated in this report.	

	I have seen the IT development cost and confirm sustainability of the same with Board approved Plan	
Chief Investment Officer	I confirm that I agree with proposed investment strategy for the product as well as the long-term earnings assumption to support the benefits payable under the policy illustration.	
Head Product Development & Management	I agree with the business case and confirm that I have consulted and agreed with the distribution heads. I support the launch of the product.	
Head Pricing	I confirm that the assumptions follow the latest approved assumptions. I confirm that the pricing assumptions are adequate and bear a reasonable and appropriate relationship to the company's experience.	
Risk Management	I find that the product design and pricing is sound. I confirm that the risk analysis is complete and agree with the risk mitigation strategies. This document, the pricing assumptions and the associated product development actions are compliant with the current approval process. Thus, I support the launch of the product.	
Chief Operations officer	I confirm the underwriting guidelines are appropriate and sound for this product offering. Process is in place to manage the product processes on a day-to-day basis, etc.	
Chief Distribution Officer – Partnership & Group Business	I confirm that the product shall be distributed and sold to only those individuals who qualify being a part of the products target market. I confirm that I will comply with the Business mix and volumes requirements.	
Chief Distribution Officer – Proprietary Business	I confirm that the product shall be distributed and sold to only those individuals who qualify being a part of the products target market. I confirm that I will comply with the Business mix and volumes requirements.	
Chief Technology Officer	I confirm the Policy administration system is capable of handling the features as specified in the PDR.	

	I confirm to the best of my knowledge that the system development costs specified in PDR is accurate.	
Chief Compliance Officer	I confirm the product complies with all Regulatory requirements as they stand at the point of this document sign off.	
Chief Executive Officer (if applicable) *	I support the strategic rationale of the product and the necessity of launching it even if it does not meet the Targeted threshold.	

* CEO sign-off is required for products that do not meet the Targeted Threshold.

Annexure C

This section lists out the documents that have an effect on the BAPMPP Process:

Date	Document	Released by
Jan - 2024	Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024	IRDAI
March – 2024	INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (Insurance Products) Regulations dated 20th March, 2024 [F. No. IRDAI/Reg/8/202/2024]	IRDAI
June- 2024	Master Circular on Life Insurance Products dated 12th June, 2024 [IRDAI/ACTL/MSTCIR/MISC/89/6/2024]	IRDAI